



LexisNexis®

FOCUS - 1 of 6 DOCUMENTS

Copyright 1999 The Columbus Dispatch
Columbus Dispatch (Ohio)

September 5, 1999, Sunday

SECTION: BUSINESS , Pg. 1F

LENGTH: 3301 words

HEADLINE: STEELED FOR SUCCESS

BYLINE: Stories Barnet D. Wolf, Dispatch Business Reporter

DATELINE: HOMESTEAD, Pa. -

BODY:

Developer Frank Kass smiles as he gazes toward a row of 130-foot, reclaimed brick smokestacks that once were the heart of a historic steel-producing complex on this 260-acre site along the Monongahela River.

The stacks symbolize the fact that Kass not only is standing tall against the odds and the naysayers, he is defeating an even tougher foe here in the Pittsburgh area: the ghost of the steel industry.

Less than four years after Kass and his Columbus-based company, Continental Real Estate Cos., began discussions about redeveloping the site of the former Homestead Works, bricks and steel are rising again.

The first new building at this \$ 300 million retail-office-apartment complex called The Waterfront, being developed jointly with Columbus-based Nationwide, will be a Lowe's home-improvement store. It should be finished in November.

Lowe's, along with a Giant Eagle supermarket and Target department store that should open in January, will account for nearly half of the 750,000 square feet of space in the "power" shopping center at The Waterfront's east side.

At the west end of this 2-mile site, a steel skeleton is rising for a 22-screen Sony Loew's Theater that will anchor a 500,000- square-foot town square, featuring entertainment, restaurants and shops. Because the dozen smokestacks are near the entertainment portion of the project, that part of the complex will be known as The Stacks.

Nearly 500 apartments will be built along the riverfront beginning in November, while the first of several office buildings will get under way next year. A marina and hotels also will be in the mix.

"We want to create a sense of place," Kass said while surveying the Waterfront last week. Since this aging town is not exactly a shopping mecca, "We have to give people a reason to come here."



STEELED FOR SUCCESS Columbus Dispatch (Ohio) September 5, 1999, Sunday

In all, 2.2 million square feet of space will go up here.

Kass -- a slim, enthusiastic man whose company has built hundreds of millions of dollars in real-estate developments -- found that The Waterfront would not be an easy sell.

The first indication came when Continental presented its vision of the project to community and political leaders at one of the Carnegie libraries, financed by steel tycoon Andrew Carnegie, who once owned the Homestead Works.

After the developers finished their lengthy presentation, one man asked a question that could have been derived only from decades of wrenching change.

"Where are the steel jobs?" he asked.

A surprised Kass looked at him and paused. Then came the answer: "The future, sir, is not what it used to be."

A steel giant

More than a century ago, steel was the future. And the Homestead Works would become the most famous steel mill in the United States.

Located on the banks of the Monongahela River a few miles southeast of the river's confluence with the Allegheny and Ohio rivers in Pittsburgh, the Homestead borough was the perfect place for a plant.

The original Homestead Works opened in 1881 and as the country grew, so did the Homestead Works. At one time, it employed nearly 15,000 workers and sprawled across both sides of the Monongahela River. Its buildings contained 12 million square feet of space and produced steel for huge projects, including the Golden Gate Bridge and Empire State Building.

Most of the plant was in three contiguous towns on the south side of the river: Homestead, West Homestead and Munhall.

As the mill and its workers prospered, so did the towns. The main street, 8th Avenue, brimmed with activity around the clock because the Works rarely closed.

"At one time, 8th Avenue was so crowded you had to step off the sidewalks to get past," said Homestead Mayor Betty "Bo Bo" Esper. "The bars were open all the time, streetcars were running. It was a really bustling place."

But both the steel companies and the unions became complacent over time. In the 1960s, low-cost, foreign-made steel began to enter the U.S. market.

Companies bowed to Wall Street demands for immediate profits and failed to invest for the future. At the same time, union leaders continued to demand higher wages and benefits, despite knowing that the aging mills could become extinct.

By the inflationary 1970s, Big Steel was in big trouble. Inefficient mills began closing or reducing their work forces all around Pittsburgh, as well as in Cleveland, Youngstown, Ohio, and Gary, Ind.

The Homestead Works was no different. During the late '70s and early '80s, one mill after another closed. On July 25, 1986, U.S. Steel -- renamed USX Corp. -- shut down the Works. Only 23 workers were left.

The decision to finally close the plant was the final blow to Homestead and other nearby burgs that had been declining along with the steel industry.

Over the next decade, Homestead's population slipped from more than 13,000 to fewer than 4,000.

Older people took their pensions; younger ones moved away. Property values declined and the school district went into state receivership.

"We were born with the steel mills down there," Esper said as she pointed down the hill from her office, "and that's all we knew. Esper worked there for 36 years, and only left when the Homestead Works closed.

The drop in population and income also forced many of the stores located along 8th Avenue to close. A soup kitchen opened in the center of town. Empty buildings became drug dens or were used for other criminal activity.

The plight of Homestead and other Monongahela Valley cities caught the attention of politicians, as well as academics, including David Lewis, a professor of architecture at Pittsburgh's Carnegie-Mellon University.

Lewis held a conference in Pittsburgh in 1988 and invited representatives from cities in Europe and North America hit by changes in 19th-century industries.

In advance of the conference, Lewis asked an international team of designers to visit the Monongahela Valley, study the area and make it a test case.

"In the end," Lewis said, "they said we should demolish the (old) mills and replace them with multiple-use functions."

That wouldn't be easy.

Spinning gold from scrap

The person who saw gold in all that rusted metal was Raymond Park, a Brook Park, Ohio, man who made a fortune recycling old industrial facilities, including a copper mine in Arizona and a road-building equipment plant in Costa Rica.

His Park Corp. turned an old facility in Cleveland into the IX Center.

Park spent \$ 9 million in 1983 to buy the bankrupt Mesta Machine Co., a maker of presses and rollers located adjacent to the Homestead Works site. He renovated and reopened the plant as West Homestead Engineering and Machine Co. -- Whemco for short -- and made it a success.

In 1988, he turned his attention to Whemco's neighbor and bought the Homestead Works from U.S. Steel. Over the next eight years, Park Corp. demolished the old plant.

By the time Park was done, about all that remained were the 12 brick smokestacks of one mill, some large pieces of equipment and several historic structures. Millions of dollars were spent to clean the site environmentally.

The Park family had plans for the property because it was a rare, large area of flat land in hilly western Pennsylvania. Also, the railroad line ran between the plant and business district, rather than along the waterfront. That left the land open to the river.

In addition, the property was only a few minutes away -- across the Homestead Hi-Level Bridge -- from Pittsburgh's wealthier neighborhoods and its east-side freeway.

Park indicated there could be some steel made on the site, but the family, led by son Kelly Park, wanted to develop the land with stores, offices and apartments. But Park Corp. was a liquidator, not a developer.

That's when Continental became involved.

The Columbus company was brought together with Park by Pittsburgh broker Kevin Langholtz, an Upper Arlington native. Langholtz was visiting central Ohio in 1996 when he saw Continental's retail renovation project at the former Lennox manufacturing plant.

In addition to numerous retail projects ranging from shopping centers to the 900,000-square-foot Easton Market in Columbus, Continental also has developed offices and apartments, including the highly praised Victorian Gate complex in the Short North.

"We made a presentation to them and got along great with them," Kass said. But talks stalled.

Meanwhile, the Park family was having its own problems with the three boroughs in which the old plant had been located. There was desperation about the region's economy, and the Parks had become the bad guys.

"The decline in the economy and increase in crime caused some community leaders to act as if they were cornered," Lewis recalled. "They began to be very confrontational with Park Corp.," which became linked with the Homestead Works' closing because the company was razing the site.

"No matter who was tearing it down, they were going to be the enemy," said Mike Dawida, an Allegheny County commissioner and former state legislator. "They were tearing down years and years of history."

Park also had run afoul of a Pittsburgh-area task force that wanted to preserve parts of the property for a steel museum. Park Corp. was accused of demolishing buildings it supposedly promised to keep.

Eventually, Park and Continental worked out the arrangements of a deal in early 1997.

A new beginning

Park and Continental began working toward obtaining tax incentives and grants to help build or improve roads into the development, including ramps to the project from the Homestead Hi-Level Bridge.

The best early response came from the Allegheny County commissioners, who helped provide the financing for the ramps, and the state, whose governor, Tom Ridge, originally was from this area, which is known as the Steel Valley.

"This project gave hope to people there for the first time in 15 years," Dawida said. Unlike some of the people at Park Corp., Dawida said, Continental officials were "good, aggressive, proactive people who wanted to work with everyone to make this a success."

The \$ 22 million in annual taxes for the strapped local cities and school district was another incentive.

"There really were no negatives with this project that I could see," said Homestead's Mayor Esper, who was running for office at the time. "There was the potential for tax dollars and the opportunity for 4,000 jobs."

Nonetheless, considerable resistance arose from a few other local politicians, some of whom wanted to place stringent zoning on the project, and others who wanted the biggest buildings in their municipalities.

During a meeting with community officials, Continental unveiled a map of The Waterfront. The political leaders were stunned to find that some bigger buildings spanned two boroughs, causing further squabbling.

There was logic to this plan, however. The developers wanted to create a unique taxing district for the entire project that needed the approval of all three communities and the local Steel Valley School District. The tax district would allow the communities to share the wealth.

"It is the first of its kind that we know of in Pennsylvania," Kass said. "On balance, for (the politicians and townspeople) to understand all this when it was little more than a vision had to be a big leap of faith."

After months of discussions, the parties signed off on a plan that created a 20-year taxing district and 30 years of tax-increment financing for the developers.

So far, The Waterfront has received nearly \$ 40 million in grants and tax incentives. The bridge ramps are completed, as is an entry to the park from the east end. An entrance from Homestead and one on the project's west side are under construction.

Another part of the tax deal was to set up a redevelopment fund for the 8th Avenue corridor, in which \$ 100,000 in tax money from The Waterfront would be diverted annually for 15 years to generate economic development.

Finally, even though the property's value was assessed downward after the mill buildings were removed, the developers agreed to a PILOT -- payment in lieu of taxes -- in which they would pay taxes based on the previous assessed value until stores and offices begin opening.

Preserving the past

Even though The Waterfront was going forward, Park's image problems with the local communities led it to seek another buyer for its stake in the project. This time, Continental played matchmaker.

Several years ago, Continental had linked up with insurance giant Nationwide to form Continental Communities, an apartment-building venture. The companies also were working together on Columbus' Arena District.

So, Continental put Park and Nationwide in contact during 1998 to discuss the Homestead site. And the Nationwide people liked what they saw.

"It's a tremendous urban infill site," said Brian Ellis, president and chief operating officer of Nationwide Realty Investors, the insurer's development arm. "You don't see a project of this size and this magnitude that works as well as this one will."

Although there may not be a great deal of wealth or people in Homestead and adjacent boroughs, the 5-mile radius around The Waterfront shows a population of more than 450,000, with an average household income that surpasses many other large urban projects like New Orleans' Riverwalk.

Nationwide Realty Investors acquired Park's position and controls all the land at The Waterfront. It is co-developer -- with Continental -- of the property.

While Park had antagonized some preservationists, Continental was doing all it could to win them over.

"We began working with the people at Continental literally the day after they bought the property," said August Carlino, executive director of the West Homestead-based Steel Industry Heritage Corp. "They were on the phone to set up common objectives and goals."

The heritage group has a mandate from both the state and federal governments to conserve the industrial heritage in the counties around Pittsburgh. The eventual plan is to create a national park, and some of the land at The Waterfront would be part of that.

That's fine with Continental. In fact, Kass's partner, Jack Lucks, has been praised by urban revivalists for his commitment to the so-called "new urbanism" that ties a community's new development to its heritage.

Earlier this year, the Homestead Works' old pump house, called the Bost Building, which served as the

headquarters of the steel union during the 1892 strike and was the site of a fatal gunfight with company Pinkerton guards, was made a National Historic Landmark.

Plans call for Continental to build a walkway and bike path along the river at The Waterfront. The Bost Building, plus several large pieces of original steelmaking equipment, rail cars and interpretive signs, all maintained by the heritage group, will be along the paths.

Meanwhile, some visions espoused by Lucks can be seen at The Waterfront, from the brick buildings, which echo the smokestacks that cost \$ 130,000 to refurbish, to amenities like sidewalks that create an urban feeling.

Street lights and pedestrian lamps have similar, classic styling. A pedestrian bridge from the Town Square to restaurants overlooking the river has fancy grating and ornate decorations on the towers.

Trees are sprinkled generously throughout the enormous parking lots, and many more trees and other vegetation -- along with hundreds of thousands of daffodils -- have been planted around the site.

"Many of these are probably things people won't notice right away," Kass said, "but they contribute to the environment we're trying to create."

Signing up

Since The Waterfront's ground-breaking in October, Continental has been moving fast to sign up tenants and erect buildings.

Kass noted that the sooner land can be sold to retailers who are taking big chunks of space, the sooner the project can generate cash. At the same time, it means the developers can start building on their own fill-in space.

With the main anchors already on board -- Lowe's, Target and Giant Eagle in the mile-long power center, and Sony Loew's and a 56,000-square-foot Dave & Buster's entertainment restaurant at The Stacks -- Continental is signing others.

Led by the developer's retail experts Jon Meyers and David Kass -- the partner's son -- Continental expects most of the major big-box users to be on board in the near future, plus dozens of specialty retailers.

Among the restaurants that have signed on the dotted line are Friday's, Pizzeria Uno and McDonald's.

Restaurants will also provide another link between Columbus and The Waterfront. Two Cameron Mitchell outlets -- a Cap City Diner and an upscale eatery called the Atlantic Fish Market -- will be at The Stacks, as will a Bravo or Brio restaurant from central Ohio's Doody family.

The development has led Homestead's mayor to call The Waterfront "the biggest thing that has happened to Homestead since the inception of the mills." It will bring jobs, tax dollars and hope to the community, she said.

Dawida agreed. He said that it has taken out-of- towners from Columbus to revive the "can-do" spirit of the Steel Valley that was crushed when the mills closed.

Already, about half the properties on 8th Avenue have changed hands as speculators have flooded the area to buy cheap properties.

"Homestead is a gold mine," Lewis said. "It is 14 minutes from downtown Pittsburgh, eight minutes from the universities (both Carnegie-Mellon and the University of Pittsburgh), has wonderful housing stock and wonderful streets with historic possibilities."

STEELED FOR SUCCESS Columbus Dispatch (Ohio) September 5, 1999, Sunday

Lewis, a native of Great Britain who now resides in West Homestead, is the co-owner of four buildings in Homestead and has begun to renovate them.

Still, The Waterfront has brought on additional tensions among the business people along 8th Avenue and other nearby shopping areas.

"A majority of people are optimistic, but some business people here are concerned about the competition," said Lisa Kocsis, executive director of the Steel Valley Chamber of Commerce. "A few also voice concern about the integration of The Waterfront with the (existing) business district.

George Matta II, owner of Ann's Flower Shop on 8th Avenue and mayor of the borough of Duquesne, is among those with mixed feelings.

"The Waterfront shows what you can do on these old sites," he said, adding that "I wish it was in Duquesne." But he complains that there was no comprehensive plan to link the project into Homestead.

For one thing, only one street will cross the railroad tracks to link the 8th Avenue corridor to The Waterfront.

"Instead of opening up the area, all you're going to see from here is the back of the buildings and the Dumpsters down there," said Matta, who this year was elected as Allegheny County Clerk of Courts.

Matta won't be doing business out of his current building for long. He sold it to a company that has purchased 10 properties -- some of them condemned -- that will be razed to make way for a CVS pharmacy.

But preservationists, including Lewis and others renovating a building next door to the proposed pharmacy, are furious with the plan and want to stop it. That puts them at odds with businessmen who want to sell.

Kass acknowledges in the short term, there may be problems for the weak businesses around the 8th Avenue corridor.

In the long run, however, he says the area will be in better shape than it had been for decades.

"You'll see that 8th Avenue will gentrify over time. The houses will turn over from pensioners to people with kids who will be going to an endowed school" with millions of tax dollars, Kass said.

"The process is worth it."

GRAPHIC: map, Photo, Graphic - not available, Illustration, (1) Developer Frank Kass of Columbus-based company, Continental Real Estate Cos. visits The Waterfront, the site of a former steel mill in Homestead, Pa. The preserved smokestacks in the background once were part of the Homestead Works mill, which at its peak employed almost 15,000 people. The plant was closed in 1986. The smokestacks will be incorporated into The Waterfront project. (2) Mike Munden / Dispatch photos This pedestrian bridge will connect the shopping area of The Waterfront with the complex's dining and marina areas. (3) Homestead, Pa., Mayor Betty "Bo Bo" Esper, who worked at Homestead Works for 36 years, awaits The Waterfront's economic impact on her city. (5) This two-story office building is part of the new complex being developed on the site of the old steel mill. Apartments, restaurants and retail stores are among the other additions planned.

LOAD-DATE: September 8, 1999